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COMMERCIAL ATTACHES AND THE EXPANSION OF FOREIGN TRADE

The economic transformation which the United States has undergone within the last half century has brought into the foreground the question how to accelerate the expansion of our foreign commerce. The reason why this question was, until recently, of comparatively minor importance is that problems of internal development occupied the public mind largely to the exclusion of those of external development. The last half century, however, has been marked by material progress in the United States which is unparalleled by that of any other country with the possible exception of Germany. A few comparative figures will serve to impress the true significance of this statement. In 1870, the population of the United States was scarcely thirty-nine millions; and our combined exports and imports were valued at less than \$829,000,000. Today, however, the population is almost three times that of 1870. The foreign trade has expanded at such an unprecedented rate that for the fiscal year ended June 30, 1913, it was valued at \$4,279,000,000 and the exports alone amounted to \$2,466,000,000—over six times their value in 1870.

During the very time that our foreign commerce has been experiencing this phenomenal growth, the export trade has been undergoing a transformation of far-reaching significance. A few decades ago, agricultural and other raw products formed, by far, the largest proportion of the foreign shipments, but within recent years they have been relatively on the decrease. As late as 1880, agricultural products embraced 84 per cent of the value of the exports. By 1905, however, the figure had fallen to 55 per cent, and since that time it has suffered a further relative decrease. On the other hand, the proportion of manufactured and semi-manufactured goods in the export trade has, within the same period, experienced a remarkable growth. In 1880, they formed but 15 per cent of the value of the foreign shipments, whereas, at the present day, approximately 50 per cent of all the exports are manufactured goods, and the prospect is that the figure will continue to increase for some time to come. Moreover, by entering a little further into details, it is to be noted that, in 1913, our exports of domestic manufactures, including manufactures ready for consumption, for further use in manufacturing, and food-stuffs

partly or wholly manufactured, totalled \$1,506,000,000 or more than 60 per cent of our entire domestic exports. And of this enormous figure about 50 per cent was for the sale of manufactured goods of the first two classes mentioned above.

So far as the exporter is concerned, the significance of such a striking transformation in our export trade is not far to seek. As long as agricultural and other raw products made up the larger proportion of the exports, a ready market was available, because foreign nations, especially the European countries, had a steady demand for such staple commodities. In a word, competition of other nations, where it actually existed, was comparatively easy to meet. Private initiative was equal to the task of selling such goods at a fair profit, so that the export trade could, in a large measure, look out for itself. But, now that manufactured goods have come to figure so prominently in foreign shipments, our competition with rival nations has taken on a new form. Our merchants are confronted with the not easy problem of selling manufactured goods in competition with such eminently successful traders as, for example, the British and the Germans. For many years, these nations have been cultivating foreign markets for manufactured goods with the result that their export trade is now skilfully organized. They have combined private initiative, the work of commercial organizations, and governmental activity in a conscious effort to make it possible to defy all comers in the international warfare for the control of foreign markets. Their relatively long experience as foreign traders in manufactured goods has made it possible for them to evolve methods, adapted to each particular market, which are almost entirely unpracticed by many of our merchants. Consequently, it is now no easy matter for the American business concern to compete in many foreign markets with any large measure of success. At any rate, in the attempt to sell manufactured goods it is now confronted with a real and vital problem. There is little wonder, therefore, that, within the last few years, several movements have been inaugurated and are now in progress whose common purpose is the solution of the problem of foreign trade expansion. A recent movement—one which has been accomplished only after a great deal of deliberation and effort—was the creation last July, following the precedent of European governments, of a corps of commercial attachés within the federal Department of Commerce. The appointment of these officials “marks a new and important departure by the United

States government in promoting the foreign trade of the nation."

The outbreak of the disastrous European war, and the prospect of its continuance for several months longer, have caused a tremendous disruption of the world's commerce. In the readjustment of trade which is to follow, the business interests of this country have scented what they believe to be a wonderful opportunity for reaching out and possessing themselves of new markets which, under dissimilar conditions, would be much more difficult to occupy. Consequently, the movement for foreign trade promotion has now unexpectedly received a new impetus. And it is a matter of no mean significance that the Department of Commerce already has made several appointments to the offices in the newly-created trade promotion service, and that four of the ten attachés are assigned to South America—a field where the opportunity for trade development is believed to be especially promising to our manufacturers and exporters as a result, in part at least, of somewhat extraordinary conditions resulting from the European war.

For many years past, the federal government has, in various ways, been aiding in the work of developing our foreign commerce, notably, however, through the consular service of the State Department. Since the reforms of 1906, the personnel of the service has so greatly improved that the business interests of the country now recognize in the consular service a powerful ally in foreign trade extension. But the duties of the consul are so varied that, in many cases, only a small fraction of his time may be given to matters pertaining to commerce. He is, in a sense, the foreign representative of practically every branch of the federal government, to say nothing of the demands made upon him, from time to time, by private citizens. At seaports, he is required to inspect the manifests of vessels clearing for the United States, to see that the tariff laws are complied with. He enforces quarantine regulations, thus safe-guarding the health of our people. He must investigate the causes of shipwrecks, and take over the property of stranded vessels. He must answer all sorts of inquiries concerning his district relating to shipping, commerce, and industry. He is responsible for the settlement of the estates of deceased countrymen; and, at times, he is called upon to assume the office of a judge. In a word, his activities are manifold, and beyond the necessity of listing here. To any one who will give the matter a moment's thought, it must be apparent that it is entirely impracticable for our consuls to give that con-

tinuous and painstaking attention to trade investigations which is necessary to be given in order that pace may be kept with the commercial competition of aggressive foreign nations.

It was a recognition of this fact which prompted the appointment, in 1905, of a corps of traveling field representatives, known as "commercial agents," attached, under the present organization, to the Bureau of Foreign and Domestic Commerce in the Department of Commerce. At that time, however, the question of having a number of commercial attachés incorporated into the diplomatic service was under serious consideration. In 1904, the diplomatic and consular officials of the United States were asked, in an official letter, to express their views on this matter. Although most of the replies were favorable, certain objections were raised which need not be entered into here. The upshot of the whole matter was that, for the time being, the plan of a commercial attaché service was shelved, and, as already indicated, a number of so-called commercial agents were appointed in their stead.

In no sense has their work been a duplication of that of the consul. The commercial agent is employed in collecting detailed and useful information upon the one subject in which he is an expert. He is selected because he is a man of broad practical experience and an expert in that particular line of American industry for which he is to study marketing conditions abroad. Instead of being accredited to a particular country or stationed permanently in a definite locality, he is sent out by his department as occasion or opportunity may offer; and he is continually changing his scene of operations with an eye single to one interest, instead of attempting to make a survey of the whole field of commercial and industrial activity.

This point may be illustrated by considering briefly the work of the seven commercial agents who were on duty a year ago. One was in India making a study of the trade resources of that country with a view to preparing a handbook on India. Another was in Germany collecting information for a report on by-products of the coke oven. Another was in the Orient studying the conditions of our trade in textiles with the Far Eastern countries, and with instructions to follow up his investigations, along similar lines, in England. Still another was in the Orient investigating markets for American canned goods, and was under orders to continue his studies later in Europe. A fifth agent was in Africa looking into the question of markets for cotton goods. South America was the

scene of operations of a sixth agent who was preparing a report upon markets for drugs, chemicals, dental supplies, surgical instruments, etc. And, by special arrangement, the seventh commercial agent was located temporarily in Washington, preparing a handbook on the trade of South America. It should be said in passing that these reports are published by the Department of Commerce and are widely circulated.

It is pretty generally recognized that these officials have performed a very valuable function in American business during the ten years of their activities. The fact is, however, that the commercial agent service of our government is but slightly developed as compared with the extent to which our European commercial rivals have availed themselves respectively of the services of similar officials in the promotion of their foreign trade. This is an important reason why so many business men and others are in favor of increasing our available force of commercial agents, notwithstanding the recent addition of the commercial attaché service to our governmental trade-promoting machinery.

It is, perhaps, to Secretary Redfield more than to any one else that credit should be given for bringing into actual existence our commercial attaché service. Early in 1913, his plans for broadening the work of the Bureau of Foreign and Domestic Commerce were first made public at a meeting of the National Cotton Textile Manufacturers Association. About the same time, while being interviewed by the editor of *The Nation's Business*, he outlined a similar program, and showed what might be done by the Department of Commerce, the headship of which he had but recently assumed, to increase its usefulness to the business interests of the country. In discussing, in this connection, the possibilities of the commercial attaché service, he pointed out that it would stand in much the same relation to commerce as the military and naval attaché service does to military and naval affairs.

The general plan received at once the hearty endorsement of the press and the business men's organizations throughout the country. The Chamber of Commerce of the United States of America, through its special committee on the Department of Commerce, already was carrying on a careful study of the ways and means of making the department of greater service to the commercial interests of the nation. As a matter of fact, the federal Chamber of Commerce has, from its very beginning, been in close touch with the Department of Commerce. It was understood

that Secretary Redfield was much interested in the Bureau of Foreign and Domestic Commerce; consequently, the special committee concentrated its study upon the needs and possibilities of this particular bureau. Conferences were held between the eleven members of the special committee and Secretary Redfield on June 23 and September 23, 1913, with the result that the committee was able to report to the directors of the Chamber of Commerce of the United States of America a plan of extension which was essentially in harmony with the ideas of Secretary Redfield.

Without entering into a detailed consideration of this report, it may be stated that the following were the chief recommendations. A corps of commercial attachés should be created within the Department of Commerce and accredited to American legations; appointments and promotions in the commercial attaché service should be under civil service law; the force of commercial agents should not only be retained but it should be materially increased; one such agent should be assigned regularly to Central America and the West Indies, and several should be appointed to bring up to date such information bearing upon South America as was already in the hands of the Department of Commerce; to avoid friction and delay, there should be appointed a "clearing committee," which would be composed of representatives of the State Department and of the Department of Commerce, whose duty it should be to examine, immediately upon arrival, reports from foreign representatives of our government, and to separate diplomatic from consular information; there should be an increased appropriation for the consular service sufficient to enable, when necessary, the cabling to Washington of important business information; the department also should keep in its employ an adequate corps of translators, so that the substance of documents written in foreign languages might be placed in the hands of American exporters and other interested parties, in an intelligent form and without delay.

It should now be remembered that one of the chief functions of the Chamber of Commerce of the United States of America is to act as a national clearing house for business opinion. The means which it has devised for testing the business sentiment of the country upon important matters which would be affected by legislation is the referendum vote. Here, then, was to be found the necessary machinery for ascertaining the feeling of the constituent commercial organizations throughout the country upon the general

plan of reorganization of Secretary Redfield as reflected in the recommendations of the Special Committee of the National Chamber of Commerce. Accordingly, a referendum was taken and the results announced late in December, 1913. There was almost a unanimous vote in favor of the recommendations, for out of 627 votes cast 624 were recorded in the affirmative. Here was conclusive evidence for Secretary Redfield and other interested parties that the business interests of the country, as represented in the Federal Chamber of Commerce, were overwhelmingly in favor of the above-mentioned plan for broadening the scope of the Department of Commerce, and were enthusiastic for the appointment of commercial attachés, as an advanced step in American foreign trade promotion.

Accordingly, in his first annual report as head of the Department of Commerce, Secretary Redfield recommended that Congress appropriate for the year 1915 the sum of \$150,000 to carry out the plan for a commercial attaché service; and on July 15, 1914, the sum of \$100,000 was set aside for this purpose. More specifically, it was provided that there should be created

commercial attachés, to be appointed by the Secretary of Commerce, after examination to be held under his direction to determine their competency, and to be accredited through the State Department, whose duties shall be to investigate and report upon such conditions in the manufacturing industries and trade of foreign countries as may be of interest to the United States. . . . Such commercial attachés shall serve directly under the Secretary of Commerce, and shall report directly to him.

A plan of examination was soon arranged by the Secretary of Commerce on a basis of harmonious coöperation with the Civil Service Commission. It was provided that there should be both a written and an oral examination, each counting equally. The written test called for the preparation of a series of short theses on various subjects bearing directly upon the work which a commercial attaché would be called upon to undertake. Among these topics were the following: special difficulties in export trade; methods of promoting export trade; manufacturing and banking conditions in the United States in relation to export trade. Also, the candidate was required to write a thesis of 500 words in French, German, or Spanish on some topic intimately related to business affairs. Those who succeeded in passing this examination with a mark above 70 per cent, and whose credentials showed that their

education and business experience would justify further consideration by the examiners, were requested to present themselves before a board composed of officers of the Bureau of Foreign and Domestic Commerce, the Civil Service Commission, and the State Department. This was for the express purpose of making a test of ability to speak fluently one of the prescribed foreign languages, and of making a careful estimate of personality and other qualifications which an appointee to the commercial attaché service should possess.

In less than three months after Congress had provided the necessary legislation, seven commercial attachés, having fulfilled the requirements according to the method of selection indicated, were appointed; and before the end of October, 1914, the announcement was made of the filling of two additional posts. The tenth appointment was made about two months later. That the service is not "in politics" at its inception, but that men of excellent qualifications have been chosen for their respective positions, is attested by a brief analysis of the list of appointments.

For the important position of commercial attaché at London, there was called the chief of the Bureau of Foreign and Domestic Commerce. Since 1884, this official has had wide experience in the government service. He has been connected with the Department of Commerce since 1909, and is thoroughly familiar with every aspect of trade promotion as carried on both by commercial organizations and the federal government. At Paris, the representative is a man who has carried on graduate study in economics and political science at some of the European universities, has taught subjects within the same fields in American universities, and has been an expert investigator in Europe for our government on various questions pertaining to labor conditions, wages, and cost of production. The appointee at Berlin is a mechanical engineer who has been engaged in various lines of work including mill designing and the manufacture of cotton goods and of cottonseed products. He, too, previously has been employed by the federal government, having recently carried on a special investigation in Europe for the Department of Commerce. The post at Peking has been filled by transferring to it the consul-general at Hankow. This official has been in the consular service since 1902, for many years "has done admirable work in trade promotion," is widely acquainted with leading Chinese citizens, and is thoroughly conversant with the Chinese language. The position at Petrograd

also has been filled by the transfer to it of a member of the consular service who has been located at Bombay. Before entering the service in 1907, however, he had received a valuable training in newspaper work, having been connected with the *Chicago Tribune*, the *New York Evening Post*, and the *Financial Times of London*. At Melbourne, Australia, the appointee is a man who has traveled extensively, and who has had a wide business experience. He has been engaged in the export trade since 1892.

In the South American field, four assignments have been made. This was in conformity with the plans of Secretary Redfield and with the recommendations of the special committee of the Chamber of Commerce of the United States of America referred to above. At Rio de Janeiro, our commercial attaché is a man who has had a broad training in the general field of economics and in the special field of commerce at leading American and German universities. He has been a successful teacher and administrator, has traveled in almost every part of the world, and has made a valuable study on trade conditions in Brazil, as special agent of the Department of Commerce. He has written on commercial affairs, and recently has published a volume on *The Panama Canal and International Trade Competition*. At Buenos Ayres, the appointee is a man of wide experience in matters pertaining to the commercial development of South America, and is the author of *The South Americas*. Since 1908, he has been an official of the Pan-American Union, and has traveled extensively in Latin-American countries, with whose languages he is thoroughly conversant. The position at Lima has been filled by the appointment of a man who, since 1904, has been engaged successively in railroad transportation, as an officer of the Philippine Constabulary, and as foreign sales representative of the Standard Oil Company in the East Indies. The fourth appointee to a South American post, *viz.*, Santiago, previously had been engaged as an engineer in railway construction and other projects in the United States and Latin-American countries, and while so engaged was a careful student of commercial affairs.¹

Although the efforts of the commercial agent, the commercial attaché, and the consul are directed more or less toward a common end, there is, of necessity, no duplication of work. As already

¹The names of the ten commercial attachés, corresponding to the above account of appointments to office, are as follows: A. H. Baldwin, C. W. A. Veditz, E. W. Thompson, J. H. Arnold, H. D. Baker, W. C. Downs, Lincoln Hutchinson, Albert Hale, A. I. Harrington, and V. L. Havens.

pointed out in another connection, the duties of the consul are so varied and manifold that only a part of his time may be devoted to commercial affairs. After all, his true function lies not in the direction of rendering *direct* aid to his countrymen in gaining foreign markets, but rather in the direction of giving assistance to the special representatives of American export houses who have been sent abroad to solicit orders. Moreover, he is capable of rendering further aid in an indirect and more or less intangible way, by seeing to it that there exists a spirit of good feeling on the part of the citizens of his district toward the people of the United States. The line of cleavage between the work of the consul and the commercial agent is apparent. In a word, the activity of the latter is expressly designed to supplement that of the consul, and it is notably intensive. The commercial agent is a specialist in a narrow field, despatched temporarily to one district and then to another as necessity demands. The commercial attaché, on the other hand, seeks to supplement those investigations of the consul which of necessity are local by researches which are general; and, instead of being a representative of a special industry as is the commercial agent, he would seek to assemble information to the end of serving alike every American business interest.

The true function of the commercial attaché in our present-day business life has been presented by Secretary Redfield, as reported in an article by the Chief of the Bureau of Foreign and Domestic Commerce in *The Nation's Business*, with remarkable clearness as follows:

What is essentially required of the commercial attaché is initiative, combined with practical imagination. It is not sufficient for him to learn, even with the most scrupulous care, all that is now done in the commercial field in his district and report fully thereon. This is but the beginning of his service. It remains to build upon this foundation the affirmative structure of our commerce. He should have vision to see what is not done, to determine what is needed, and point out the way to get it. He should discern the articles not now made or sold in his territory for which a market would exist if these articles were properly made or well designed. . . . He should advise how articles now sold are at fault, and how we may improve upon them. In brief, he should advise how we can better do what is already done either by ourselves or by others, and how we can do that which is not now done at all either by ourselves or by our competitors. . . . The attaché should be alert to find out the weak spots in our competitors' commercial armor, and to advise how our business men may get a thrust therein. He is to do creative and not imitative work. . . . He should

deal with all phases of commerce and industry: methods and manners and terms; quality and quantity and design; colors and trademarks; packing and postage, and every significant detail which may affect our commerce.

In conclusion, it may be stated that time alone will enable us to form a correct estimate of the actual benefit of commercial attachés to American foreign trading interests. There is reason for believing, however, that the service rendered will be of inestimable value. In any event, it is clear that the earnest endeavor of the Department of Commerce is to make of the commercial attaché service an important trade-promoting agency. The combined efforts of commercial attachés, commercial agents, diplomats, and consuls should, in time, afford the export trading interests of the country about all the assistance that it is the legitimate function of our government to render.¹

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¹For data contained in this essay, the writer has drawn upon numerous sources. Especially is he indebted to the various publications of the Department of Commerce, and of the Chamber of Commerce of the United States of America; also to the Chief of the Bureau of Foreign and Domestic Commerce for information furnished by letter.